

MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
WEDNESDAY, JANUARY 16, 2008, 9:00 A.M.
Room W020, West Office Building, State Capitol Complex

Members Present: Sen. Greg Bell, Co-Chair
 Rep. Kory M. Holdaway, Co-Chair
 Sen. Brent Goodfellow
 Rep. Ron Bigelow
 Rep. Mel Brown
 Rep. David Clark
 Rep. Brad Daw
 Rep. John Dougall
 Rep. Kay McIff
 Rep. Curt Webb
 Rep. Chris Johnson
 Rep. Carol Spackman Moss
 Rep. LaWanna "Lou" Shurtliff

Excused Members: Sen. Curtis Bramble
 Sen. Dan Eastman

Staff Present: Spencer Pratt, Fiscal Manager
 Patrick Lee, Legislative Fiscal Analyst
 Karen Allred, Secretary

Public Speakers Present: Dave Buhler, Acting Commissioner, USHE
 Dr. Rick White, President, UCAT
 Dr. Mike Petersen, Executive Director, UEN
 David Squire, Executive Director, UMEC

A list of visitors and a copy of handouts are filed with the committee minutes.

1. **Call to Order** -- Committee Co-Chair Senator Greg Bell called the meeting to order at 9:09 am.

2. **Welcome.**

Senator Bell welcomed everyone, especially those who have traveled a long distance through treacherous weather. He welcomed Karen Allred, new recording secretary. Patrick Lee, a new analyst from the Fiscal Analyst office, working with Spencer Pratt, introduced himself. Senator Bell welcomed back Rep. Curt Webb who is new but has been to one other meeting.

3. **Revenue Estimates and Spending Cap. Spencer Pratt**

A handout was given out with information that was presented and approved in the December, 2007 Executive Appropriations Meeting. This translates into SB 1, which will be on legislators' desks Monday morning. The handout contained:

A. Subcommittee Base Budget Allocations. This is the amount of funding that was approved by the Executive Appropriations Committee for each subcommittee. These figures are

almost to a tee the ongoing appropriation that was the sum total of all appropriations for FY 2008. There is one minor exception and that is \$174,500 which has been moved from ongoing General Fund to one-time General Fund.

Senator Bell wants it explained that just because we are adopting a base budget, doesn't mean that the appropriations are guaranteed. The Legislature reserves the right to reallocate these dollars. SB 1 can be amended, changed and funds moved from one program to another, as long as the subcommittee does not exceed the allocation that the EAC has made.

- B. Stage Agency and Higher Education Base Budget Appropriations. The state agency and higher education base budget bill includes ongoing appropriations from all funding sources equal to FY 2008 appropriations, technical reallocations or error corrections that do not increase appropriations, decreases in restricted fund appropriations as requested by agencies; increases or decreases in federal funds, dedicated credits (up to 125% increase as allowed by law), transfers, or non-lapsing balances based upon more recent estimates, and consensus building blocks as directed by the EAC Co-Chairs. Positive or negative changes to this base budget (including intent language) will be implemented through subsequent appropriation bills to be introduced during the annual General Session. None of these items affect Higher Education.
- C. FY 2008 – FY 2009 Appropriations Limit Estimate. Referring to a graph presented to the committee, this is an historical picture of the Appropriations limit and the Appropriations that are subject to the limit. The checkered part shows the total Appropriations limit and the darker bar is the total Appropriations that are subject to that limit. In each of the four years depicted, we have been under the appropriations limit. There is \$35 million available total in FY 2008 and \$246 million in FY 2009 under the cap.

Assuming passage of the base budget bill as drafted on 12/11/2007, the "Cap Gap" would become \$32,863,968 in FY 2008 and \$236,674,806, in FY 2009.

4. Fiscal Year 2009 Base Budget for USHE, UCAT, UEN, MEP

The FY 2009 base budget in SB 1, is the allocation from the EAC, and is the same level of ongoing state funds as is appropriated for the current fiscal year, FY 2008. There are a few minor differences. One in state funds going from ongoing to one time, and there are a couple of changes in dedicated credits to reflect more current estimates for tuition collections.

A handout reflecting all of the funding increases that were approved by the legislature last year for FY 2008 was distributed. It is categorized as USHE on the first page, and UCAT, UEN and MEP on the second page.

Another handout has more detailed information. It has the same items, but is broken out by institution and has the 2007 and 2008 building blocks. It also shows how much was actually spent, what is the remaining balance, and what was accomplished, or the benefits from this investment.

5. Report regarding additional funding USHE received for FY 2008.

SPEAKER: Commissioner Dave Buhler, Interim Commissioner, USHE.

Commissioner Buhler introduced his staff: Mark Spencer, Interim Deputy Commissioner; Amanda Covington, Director of Communication; Kimberly Henrie, Director of Budget and Planning; President White, President of the Utah College of Applied Technology.

A handout was given to the committee that summarizes the base budget prior to last year's session, the increases which were received (a big thank you was given for the biggest increase), and an increase in one time money, and how it was all broken down and allocated. Even though, UCAT, UEN and Medical Education will respond separately, the funding increases for them were also included in the handout. By far the biggest allocation of funds (80%) goes to employee compensation. The transfer funds (money appropriated, for example, for the engineering initiative, or student financial aid) are funds that come to the Board of Regents first, then go out to all the institutions. A list of how much increase each institution received is in the handout. Not listed on the handout was the increase that State Board of Regents Administration received, which was about 5.1%. Mr. Buhler noted that the percentage increase for College of Eastern Utah reflects the portion transferred over from the Southeast Applied Technology College. These two institutions were merged. The Utah Valley State College received a large increase because of the money received to enable it to become a University this coming July 1. Last year the step to increase the amount going into the compensation package and decrease the amount that had to be matched by tuition, translated into about \$5.3 million less in student tuition increases. It froze the match to 75% coming from the state for compensation and 25% coming from tuition. We had the lowest tuition increases in several years, a total of 6.6%. The first-tier increase of 4.0% increase in tuition (on page 5 of the handout) is only to accomplish the 25% match for the compensation package. By the Legislature adopting the 75%-25% split, even though it was a huge improvement, we are mandating an increase in tuition to meet that 25% split. The second tier tuition increase is for other needs. Two things that impact tuition the most are: (1) the compensation match, and (2) how the Legislature is able to match other priorities. The institutions often need that extra tuition increase for specific supplies/items that are high priority. Hopefully, the second tier will be this low or even lower next year. The USHE will furnish the committee with information on the institution tuition increases for the past years. Other ongoing increase allocations were discussed as shown on the handout: Mandated Costs (fuel and power), Participation Rate Increases (student aid and scholarship), Workforce Development (Engineering and Nursing Initiative), Institutional Priorities (Higher Education enhancements and Utah Valley University name change), USHE Partnerships, (looking for ways to get institutions to partner together and expand programs) and other increases. There was discussion on how to get nurses, teachers, and others to stay in Utah, especially after having received scholarships at Utah's universities.

One-time Fund Allocation was discussed as shown on the handout, for example IT Hardware/Software, buildings, financial aid, initiatives (one example is the State Scholar Initiative, in which they encourage students in high schools to take a more rigorous course of study to better prepare them for college) and institutional one-time funds.

Senator Bell said that we need to discuss concerns and changes in Career and Technical Education. We need to decide where this will best be served. Other things that need to be addressed this session are non-lapsing balances, blockages in critical career paths (nursing for example – waiting lists), and advisement (advisors and faculty).

6. Report regarding additional funding UCAT received for FY 2008.

SPEAKER: Dr. Rick White, President UCAT

Dr. White introduced himself and reviewed his past positions. He is now in day 11 of his involvement with UCAT. A great priority for him was to get to know the people and campuses better, so he has visited 6 of the 8 campuses, and will visit the other 2 tomorrow. In addition to main campuses, there are 65 teaching locations in the state. He introduced those working with him: Jared Haines, Vice President Instruction/Student Services; Kurt Michaelis, Vice President Administrative Services who will be going back to Mountainland ATC as the Vice President for Finance. Richard Maughn, President, BATC; Chad Campbell, BATC; Mike Bowhuis, DATC; Scott Snelson, President, SLTATC; Paul Hacking, Uinta Basin ATC.

SPEAKER: Kurt Michaelis, Vice President Administrative Services

Mr Michaelis gave the presentation for UCAT. He thanked the Legislators for the FY08 increase they received. A handout was given on the budget summary of UCAT and the allocation of their base budget.

Compensation is the largest allocation of the budget and current expenses were the next largest allocation. A question was raised as to what were examples of current expenses. The current expenses in UCAT are higher because many of there campuses are leased facilities, and that expense falls in the current expense category.

A summary of ongoing increases on the handout shows how the ongoing funds were allocated. The UCAT Administration has a higher allocation because when enrollment growth was funded, it was allocated to administration, and from administration it flowed to the campuses. **Jobs Now Campus Initiatives** funds have been very important to UCAT colleges. It allows them to address programs that have been lacking. It allowed them to start or expand 19 programs by adding 19.4 FTE faculty, and 3 additional staff. **Facilities** allocations funds are for leases and for a new building at the DATC scheduled for completion in March 2009 (that is backed out until completion of the building). **Membership Hour Growth** funds are allocated to the campuses based on their growth. If campuses did not have growth, they did not have funds allocated. Additional faculty and staff were hired to support the growing programs for both secondary and post secondary students. **Custom Fit** funds addresses the needs of business and industry. They were able to hire one FTE for the new UCAT **Student Information System**. A one time increase for the **Capital Training Equipment** funds were used to replace existing equipment and purchase new equipment. **Supplemental Increases** funds were mostly used for the funding of the creation of the Lean Manufacturing Center in Ogden, as well as fuel and power and operation and maintenance for the newly finished SEATC in Blanding. The question was asked how many students are in the Lean Manufacturing program. It was reported that there are about 300 students, 150 of which are adult students.

The co-chairs of the committee commented on how important the UCAT training is and commented on the need to enhance that in terms of opportunities for the citizens of our state, on a student as well as an adult level.

6. Report regarding additional funding UEN received for FY 2008

SPEAKER: Dr. Michael Petersen, Executive Director, Utah Education Network

Dr. Petersen gave an accountability report that focuses on the funding received for specific projects and a status report on those projects. A handout given to the committee that provides a summary of the funding UEN received and the projects for which the funds were allocated. Ongoing funds were

allocated for Network Infrastructure Projects, IP Video Conferencing Project that they have been working on for several years (one-time funds were also allocated), Course Management System Program (also one-time funds), Compensation, and Funding Transfer to USU. Dr. Petersen discussed the transfer to USU further. When UEN completed the Satellite Conversion Project, there were several positions at USU that had historically been funded out of the UEN line item that were paying for the Satellite Distance Learning System. With USU a plan was worked out to identify the individuals who were paid out of that budget and to transfer the funds to USU to cover those positions. It was information provided to the Fiscal Analyst's office and finalized by the approval of this committee last year. It was transferred out of the UEN budget and is now part of USU's budget. One-time supplemental funds were also used in the Satellite Conversion Project.

UEN is responsible for providing network connectivity and internet connectivity for all of the higher education institutions, as well as K-12. UEN also provides connectivity for state government. UEN provides a pipe that is about 4 gigabits of capacity. UEN spends \$1 million a year on those internet connections and have not had an increase in the cost of the internet connections during the entire history of providing internet connectivity to higher education in Utah. The State of Utah only pays UEN \$50,000 a year for its internet connection. It's a great bargain for the state. Network traffic that UEN handles doubles about every 18 months to 2 years. There are many challenges that come with that growth, but today Mr. Peterson just talked about what they have accomplished to keep up with the demands. They now have a full 1GB backbone across the state, but it needs to be increased to 10 GBs. They are working on a project to provide a full gigabit connection to all of the secondary schools and all of the colleges and universities in the state. With the funding received this year, they now have in place all of the contracts to complete that contract. They will finish a few outlying projects during the remainder of the year. The handout shows what projects have been completed this year. They will have all of the secondary schools finished before the end of this school year. Connecting to the network for secondary schools and colleges is now as fundamentally necessary for them as electricity is. During 2007, the network reliability was 99.995%. This means that the network was unavailable to some customers for approximately 26 minutes during the calendar year. Their goal is to provide up-time performance at 99.999%. UEN leases circuits rather than building its own. It enters in to long term leases.

UEN also discussed the conversion to IP-based videoconferencing technology. This gives classrooms in colleges and universities, regardless of their locations, the ability of communicating with faculty and other students face-to-face linkages. This system allows for more efficient use of faculty and staff time and State resources. An example is the Public Education Athletic Coaches conference. Coaches throughout the state gathered at their local public education facility instead of traveling to a central site for training on revisions to athletic rules and regulations. This video conferencing event saved tens of thousands of dollars in travel and per diem expenses. This transition was completed last summer. During fall semester 2007, UEN supported approximately 10,700 scheduled IP video educational and administrative events in 451 registered end-point sites. UEN has requests from 250 new classrooms across the state, most in higher education, for IP-video conferencing. UEN asked for funding for IP video in 150 classrooms, but they were able to provide it for 190 classrooms.

The question was asked what would a per class room cost be for this. The answer was that there are two types of classrooms. There is an origination classroom – a teaching classroom for the faculty member, and a receive classroom, a classroom that is not expected to be one where teaching occurs. The cost for equipment for the origination classroom averages about \$23,000 to \$25,000 and the receive classroom about \$11,000.

UEN received ongoing and one-time funds to provide an enterprise-level hosting of course management system that is used by all of the college and universities in the state. The program is called Blackboard Vista. UEN proposes that there will be significant savings because of lower licensing cost, not duplicating equipment, and reduced number of staff in having that managed at an enterprise level by UEN. There are only three universities not managed by UEN through this program. This past fall there were about a million user sessions, and it is working very well. The 2008 estimate for Blackboard Vista is 1.5 to 2 million users per term. The question was raised as to how this works. The answer was that some of these are totally on line classes, the professor doesn't see the students, and others that are on line, but the professor meets the students twice a week. The students can also communicate with each other.

8. Report regarding additional funding MEP received for FY 2008

SPEAKER: David Squire, Executive Director Utah Medical Education Council

Mr. Squires introduced Melanie Taylor, Deputy Director and Sri Koduri, Research Consultant I.

He thanked the committee for the Appropriation last year, and reported that they spent all of that on the lease and salary increases.

Senator Bell asked him to explain about his organization. The council is a state agency created through legislative enactment in 1997 as an outgrowth of the Health Policy Commission. It was meant to address specifically graduate medical education. This is the education that occurs after a student has gone through 4 years of baccalaureate education and 4 years of medical school, and is entering residency. The council is a nine member board. The Dean of the medical school at the U of U is the chairman of the board. They have one member that represents industry, citizens, and health insurance. In Utah they have Intermountain Health Care, Saint Marks, and U of U. The council brings them all together to manage a partnership. The responsibility of the council is to assess supply and demand, advise and develop policy, seek and disburse graduate medical education funds, facilitate training in rural locations and manage Utah's GME demonstration project awarded by the Center for Medicare and Medicaid Services (CMS). The question was raised as to whether this has rural overtones. Mr. Squires reported that when this project started in 2002 there was almost no medical training in rural areas, but now they are at five different sites and growing with almost 60 to 72 months worth of training in rural communities. The question was asked where those rural sites are. Mr. Squires reported that they have sites in the Uintah Basin (Roosevelt and Vernal), Price, Manti, and are in the process of establishing sites in Cedar City, Beaver and Panquitch. Some of the rural rotations that are being established are ob/gyn, pediatric, and pathology. They are developing new rural programs in general surgery. They have a family medicine fellowship where the resident trains in an urban area for a rural experience. They are in the process of developing a rural training track where a resident can be trained their first year in the urban setting, and the 2nd and 3rd year in a rural community. The UMEC is working on producing reports of the health care work force. They go where industry wants them to go, so they have moved outside of intern and residents and have looked at other health care professions, such as Laboratory, Pharmacy, and Dental.

The final report from Mr. Squires is the announcement that they are having a first time job fair on January 17, 2008 from 4:00 pm to 9:00 pm. A flyer for the fair is included.

Mr. Squire was asked to give the committee a preview about federal funds. He talked about how industry and academia got together and said that they are dealing with the health care shortage. They

were aware of an appropriation that went to the U of U to offset the cost of Medical Education. They also found out that Medicaid pays for medical education and their funds come with matching federal dollars. They all sat down together and decided that the U of U hospital would transfer their dollars to the Department of Health, who would use the dollars for graduate medical education, using the federal match. This gave them additional funds and the ability to train more residents. CMS has decided that they will no longer participate in graduate medical education payments for Medicaid through the match portion. That is being challenged but if nothing happens will be taken away in May. These dollars have been spent, so if we lose private industry will no longer be able to carry that budget, and so MEP will be asking the legislative committee for this money.

It was decided to defer the discussion of reallocation in the FY 2009 budget and issues that the committee would like to have addressed during the session until 2:00 pm this afternoon. Senator Bell suggested that the committee think about what they want to discuss this session during the lunch break.

The committee was dismissed until 2:00.

Call to Order – Committee Co-Chair Senator Greg Bell called the meeting back to order at 2:20 PM.

9. Potential areas of reallocation in the FY 2009 Base Budget

A handout was given with the schedule of institutions and when they are scheduled for meetings, and the issues that need to be addressed, but not necessarily on those days. Spencer Pratt added to the list, the items that were discussed this morning.

The time was opened up for suggestions for discussion in this current legislative session. Rep. Holdaway wants to discuss early on, maybe even next week, the Non Lapsing Funds. He suggested putting that prior to the individual institution's presentations and give them an opportunity to react to the Non Lapsing Funds. Unless Commissioner Dave Buhler has objections we will discuss Non Lapsing Balances before the institutions' presentations, which are scheduled next week. Mr. Buhler said that the presidents of the universities would also like to listen to that discussion.

Rep. Dougall would like to make sure that we discuss faculty salaries, etc. He would like to make sure, given the media report, what is fact and fiction, and know more details about that issue. The University of Utah has been notified of the committee's concern, and the University is ready to respond. Rep. Dougall would like to know if this money is coming from taxpayer subsidy of higher education or if other activities are paying for it.

Rep. Brown would like to make sure that the committee is provided with a spread sheet concerning the Non-Lapsing funds, and each institution, before we get to that meeting. Sen. Bell said that we would have that. Rep. Brown's issue for discussion is the USU extension in his area, concerning tenure and some of the employees. He would like an explanation about that. That information will be given to him.

Rep. Daw would like to have some discussion on the funding of the transition of UVSC to the new UVU, and make sure that we have provided for a top notch-institution. There is another \$2 million earmarked for that change, for this year.

Rep. Shurtliff is concerned that some institutions are getting extra funding, while other institutions are falling behind. It is something that we need to look at and be very careful that it meets the mission of the committee.

Sen. Bell commented that we are on a zero based budget system, and are sent here to look at every dollar spent, not on the excess. We are told to prioritize for Ongoing, One Time, and Supplemental money and submit recommendations to the executive appropriation committee, and they will go down the priority list with every committee and give what they can. We don't get to give out money, we just get to prioritize where we would like to money to go.

Rep. Brown mentioned that it was announced in his caucus that we have a record number of bills (1100) submitted. He questioned how many of those actually appropriate money. Historically, there were never separate bills filed to appropriate money. The appropriations were all done in the subcommittees. This goes back to SB 90 type funding. It is his opinion that the subcommittees are losing control of their own job because of these bills that create funding separately from the decisions of the subcommittees. He wonders how many of the 1100 bills are actual bills that appropriate money. He feels there are a number of them, and doesn't feel it is good for the process. Rep. Holdaway responded that he is not disagreeing with the point concerning the process, but SB 90 is more of a marker for us to be able to point to areas that need funding. It allows the body as a whole to look at individual issues. Rep. Brown responded again that there are other issues concerning this. One is staff time and the cost to draft appropriation bills. It costs about \$2500 to the State of Utah for every bill that is filed. He feels the marker can be made in the committees just as easily. Sen. Bell agrees that people run a bill because they haven't been able to get it funded otherwise.

Rep. Dougall would like to see the metrics used by higher education to determine how successful and effective programs have been. Those metrics will be available to review.

The committee was asked to contact Rep. Holdaway or Sen. Bell with any ideas or questions for discussion. They very much value the committee's input, and want it to be a committee process. Sen. Bell also expressed appreciation for our colleagues on Executive Appropriations and the Leadership.

MOTION: Rep. Webb made a motion to approve the minutes. They were voted on unanimously.

MOTION: Rep. Moss made a motion to adjourn. The vote was unanimous.

Senator Bell adjourned the meeting at 2:42 pm

Minutes were reported by Karen C. Allred, Secretary.